

TWINNING CONTRACT

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**Support to the State and Entity Statistical
Institutions, phase VI**



MISSION REPORT

on

Activity 4.7

Methodology and plan for regular production of ESSPROS.
Follow-up on achievements of the component and
recommendations for the future

Mission carried out by

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List of Abbreviations

BHAS	Agency for Statistics of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CBBH	Central Bank of Bosnia and Herzegovina
EC	European Commission
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FIS	Institute for Statistics of Federation of Bosnia and Herzegovina
MS	EU Member State
RSIS	Institute for Statistics of Republika Srpska
RTA	Resident Twinning Adviser
TOR	Terms of Reference

Executive Summary

This mission served to finalize the work on the preparation, implementation and processing of the ESSPROS pilot data collection for 2013 reference year.

Selected items for all project documentation (ESSPROS questionnaires and methodological documentation) have been discussed upon their transmission to Eurostat.

Finally, recommendations for the future work, following the end of the project (including regular production activities of the ESPROS Core System and Pension beneficiaries' module) have been provided.

1. General comments

This mission report was prepared within the Twinning Project "Support to the State and Entity Statistical Institutions, phase VI". It is the final mission to be completed within Component 4 (ESSPROS) of the project.

The purposes of the mission were:

- Finalization of methodology
- Further work on developing ESSPROS
- Transmission of data to Eurostat
- Discussion on how to develop the required ESSPROS reports of Eurostat
- Plan for regular production
- Description of the status regarding the component at the beginning of the project
- Description of the project results
- Recommendations on the sustainability of the achievements
- Recommendations on the future work
- Description of needs for further support, if any
- Clarification of outstanding issues

The consultant would like to express his thanks to all officials and individuals met for the kind support and valuable information which he/she received during the stay in Bosnia-Herzegovina and which highly facilitated the work of the consultant.

This views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, BHAS, FIS, RSIS or Statistics Denmark / Statistics Finland / Statistics Netherland / Statistics Lithuania / Central Statistical Bureau of Latvia / Destatis.

2. Assessment and results of the final mission

Prior to the mission, BHAS has received a set of questions for both Quantitative and Qualitative questionnaire. Some were addressed before the mission, while certain number of

them have been addressed during the mission (also, two weeks period following the mission was devoted to finalizing the description in the Qualitative questionnaire).

During the mission, both quantitative and qualitative data have been checked for quality, statistical soundness and comprehensiveness.

Allocations made in Quantitative questionnaire have been followed by changes in Qualitative questionnaire.

Prior and during the mission, receipts and expenditures for non-contributory schemes as well as transfers were equalized, following good practices and recommendations.

List of schemes in both questionnaires has been enriched by War veterans scheme.

In addition, Quantitative questionnaire has been enriched by footnotes worksheet, in order to provide and present basic methodological explanations which are of major significance to proper understanding of both questionnaires.

Data and metadata analysis made prior and during the mission have led to certain adjustment of several methodological standpoints determined so far during the project, as presented in the continuation.

In contrast to Item 2 of the Mission report for activity 4.5, for the time being it was concluded that there is a basis to treat personal disability cash benefits as disability pensions. These benefits are statistically rather gratifying as there cannot be double counting between personal disabilities cash benefits from different schemes (a person can receive only one). In that regard, these benefits have been methodologically adjusted with survivors disability cash benefit.

Data for War Veterans scheme is available for FBiH, and has after this mission also been provided by RS.

It was agreed that BHAS representatives are going to make several remaining interventions into the questionnaires, which are agreed during the mission, in order to finalise them. It concerns translating remaining part of qualitative information, insertion into questionnaires what has been decided during the mission, insertion of data for War veterans scheme for RS, and alike.

Following those final interventions into the ESSPROS questionnaires, one week before the end of the project they were to be delivered to the expert, who would also review them.

It is worth noting that in the meantime (between the mission and the finalisation of this detailed report) BHAS representatives send final questionnaires to Eurostat.

In addition to aforementioned mission activities and in line with conclusions made in Mission report for the activity 4.5 (title "2. Assessment and results"), draft version of national ESSPROS methodological document was reviewed.

As FSIS representatives first prepared the ESSPROS methodological document, their input was used as a matrix for RS and BD (as it is very informative, but not too burdening when it

comes to amount of information). There are more detailed information in the document for FBiH containing links with ESSPROS codes and explanations. The methodology presents general information on each scheme, sources of financing and types of benefits.

RSIS has after the last mission also amended and completed the methodological document which now contains detailed and quality information on all expenditures, receipts and benefits that are shown in the general scheme for Republika Srpska.

3. Assessment and results of the whole component

Status at the beginning of the project:

It can be said that the ESSPROS pilot project was initiated in the situation where comprehensive information on social protection system in BiH were lacking. Although there were some systematic information (for example, qualitative data in MISSOC international database), the majority of social protection data were either narrow in coverage or were outdated. Especially this was the case with regard to data on financing thereof.

Certainly social protection data collected by regular surveys of BHAS, FIS and RSIS were a good starting point, and an orientation for the survey preparation.

At the same time, ESSPROS methodology was not known within the system, and there was no reference macroeconomic framework in place, which could serve as an orientation on the soundness of the coverage.

Namely, due to objective state of National Accounts established at the beginning of the pilot project, it was decided already during the first ESSPROS mission that at their current state and level of detail and precision, they cannot serve as a basis for construction of ESSPROS statistics (title "Links with National Accounts" of the Mission report for the activity 4.1).

The aforementioned situation gave ESSPROS implementation a bust, as it indicated its potential future role as a national methodological benchmark, and a source of most comprehensive and detailed social protection data. Its future potential of international comparability additionally stressed its future significance.

The initial preparation was devoted to revision of the questionnaires used for the prior project, in order to enrich them with more information and guidelines (what benefits are demanded in each item, in what breakdown, etc.).

Based on this input, BHAS, FIS and RSIS first had to identify all the legal and financial documents relevant for ESSPROS statistics. Afterwards, that documentation was transposed into concrete ESSPROS schemes and items, and national set of guidelines for reporting units.

In addition, at the start of the project, there was no systematic network of contact points within social protection bodies. So at the beginning of the project, an intensive effort was done in order to acquire information on network of contact persons within reporting units, to be provided with opportunity to present to them the ESSPROS methodology (practical trainings), and finally, to ensure their cooperation. This practical aspect of data collection proved to be as difficult as the pilot itself, but it was nevertheless successfully implemented.

As it was decided during the mission 4.3 (title “Preparation of methodological guidance in the questionnaire”, of the Report), reference year for the pilot was 2013.

Status of project results:

The pilot project allowed gathering of a comprehensive and methodologically sound social protection data.

To quote the Mission report on activity 4.4. (title “2.a Pilot data collection – preparation and implementation”): “Furthermore, this data collection exercises resulted in several positive aspects, on which further improvement could be built in, in the future. Namely, reporting units have become aware of the ESSPROS statistics in greater extent, the overall knowledge of the national social protection system has been improved, system of communication and focal points has been strengthen.”

Data for all social insurance contributory schemes (pension, health, unemployment) has been collected and disaggregated in accordance with ESSPROS methodology. This embeds a major part of the ESSPROS coverage in every country. On the other hand, the major non-contributory scheme (Social welfare) is also connected to social insurance contributory schemes as somewhat less than 50% of all its expenditures are transferred to them.

This also means that ESSPROS statistics capture all major aspects of ESSPROS schemes financial interconnectivity.

Having said all of that, one can conclude that therefore all future improvements will be able to be upgraded into already existing base.

Consequently, this pilot project has resulted in:

- Final ESSPROS quantitative data broken down by ESSPROS schemes, methodologically adjusted benefits, most detailed level of breakdowns currently possible, as well as set of footnotes
- Final set of ESSPROS qualitative data supplementing quantitative ones, somewhat detailed in structure and with dedicated explanations for both entities and BD
- Final set of ESSPROS pension beneficiaries data supplemented by footnotes to be used as a reference point in further implementation
- National methodological document

Sustainability of the achievements:

The quality of the ESSPROS survey, as implemented during the project, in the expert’s view, already ensures sustainable production in the future. There is, of course, room for improvement in the first place with regard to coverage and data detail.

All basic infrastructural necessities have already been developed by BHAS, FIS and RSIS, as network of contact person within the social protection system, who have basic information on ESSPROS methodology, has been established.

However, it has been noticed during the project that there is a difference in quality of data provided by different contact persons (information of lesser quality demand more work on

their processing, validation, re-contact of reporting unit and correction). Also, a troublesome fact has been detected that in a certain number of reporting unit, data preparation and transmission is done by a single contact person, where nobody else is familiar with the work done. This poses a potential significant risk, because if that person leaves its current post, it can jeopardise ESSPROS data collection for that reporting unit.

Furthermore, a major part of legal acts regulating social protection within BiH has been identified, analysed and utilised for the data collection purposes.

This all means that necessary ingredients for the regular implementation of ESSPROS Core System and Pension Beneficiaries module, in its current state, are in place, and therefore after the project ends those activities can be continued in accordance with periodicity as regulated on EU level.

Nevertheless, and in accordance with the conclusions designated in Mission report for the activity 4.5 (title “2. Assessment and results”), Eurostat’s data validation process is seen as very useful for the countries as it points out potential inconsistencies. Having this in mind, BC is also looking forward to receiving Eurostat’s validation reports, as it will concretely indicate where the pilot project data stand with regard to Eurostat’s quality standards.

For any improvements of the survey, however, it is highly advisable that one person per each entity is employed solely on this statistics. This is because the coverage of this survey is vast, embedding different fields (pension, health, social welfare, veterans, regional and local units, etc.). Also, in the future it will demand more and more knowledge on public finances, accounting practices, taxations, and alike. Having this in mind, it is hard to expect significant improvements if persons implementing it will have to do other statistical activities.

Finally, it is clear that National Accounts should get involved in ESSPROS statistics. ESSPROS is a satellite account, meaning its coverage is a part of gross national product (especially sector of General Government) and its general methodological framework is that of the European System of National and Regional Accounts. Also, when deriving gross domestic product and related aggregates, statisticians use same accounting practices which are to be used in ESSPROS (accrual principle, manner of capital expenditures amortisation, etc.). Therefore, without active help from National Accounts in the future, ESSPROS could undergo a series of otherwise avoidable revisions, which could be detrimental to its perceived quality. Likewise, without National Accounts data, it is hard to know whether the whole coverage is included in the survey or not.

This is especially the case since current ESSPROS data for BiH contains contributory schemes where expenditures exceed receipts (for FBiH this only refers to Pension Fund, for RS it refers to Pension Fund, Health Fund and Child Protection). Due to this, but also other potential cases of divergence from basic ESSPROS accounting principles, it would be useful to utilise National Accounts in this regard as well, as they can provide best practices to annul these issues. For the time being, this issue is addressed by footnotes, which are inserted in the Quantitative questionnaire.

Receipts and expenditures for non-contributory schemes as well as transfers were equalised, following good practices and recommendations.

Recommendations for the future (short and long term):

As stated before, for the implementation of the pilot survey in its current coverage and quality, all major preconditions have been satisfied.

In case improvements are expected, it is inevitable to allow methodologists dealing with this statistics to devote their work time in full or in major part solely to ESSPROS. As can be seen in the continuation of this Report, if ESSPROS methodologists will not be able to devote in full to this statistics, little if any of major improvements can be expected to occur.

Recommendations for future work can be structured as short, medium and long term.

Short term (up to 2 years from the end of the project)

As already stated, current coverage of ESSPROS Core System for BiH is rather comprehensive and includes all major social protection activities.

It is therefore proposed to BC to streamline its efforts to missing benefits (mostly small scale, such as perhaps subsidy of highway fees, benefits alleviating everyday life, and alike).

These activities represent regular continuous work in every country.

On the other hand, if possible, other schemes could be included, such as employers paid sick leave, non-government organisations, eventual additional health insurance, etc.

It is well noted that introduction of new schemes is directly connected with the ability of data providers to provide those data, as without their assistance generation of new schemes cannot be expected.

Medium term (2-4 years from the end of the project)

1. ESSPROS Net Restricted Module – Collection of qualitative information

ESSPROS Net-Restricted is basically a net reflection of the ESSPROS Core System.

This means that there is one additional type of information needed for its calculation, i.e. whether a beneficiary is obliged to pay certain tax/contribution on a received benefit, and in what amount. Of course, in case these expenditures are burdening other stakeholder, but not the beneficiary himself, they will be either outside ESSPROS or in transfers of ESSPROS Core System.

As it was explained during the mission, a number of Core System benefits are accompanied with the information whether they are subjected to taxation and/or social contributions.

On the other hand, in cases where that is not applicable, one can consult Income Tax Act and Contributions Act.

Income Tax Act is important because it defines income, meaning designates which types of receipts fall outside the definition of income, or fall within the definition but are exempted from taxation. Also, for taxable benefits, it can provide information on the tax base and alike.

Contributions Act should provide detailed information on benefits, which are subject to payment of social contributions.

It is noted that all medium and long-term recommendations will depend on the available resources, through projects and expert help.

2. Review of data from other countries

Recently qualitative information of almost all countries participating in ESSPROS Core System have become available on Eurostat's page. This information could be utilised to establish whether they contain any benefits, which are missing in national coverage of BiH but also they could be used to gain more information (e.g. what are practical borderline cases when it comes to active labour policy measures; what is the reason only some countries have schemes related to labour policy measures; practical cases of disability pension and other cash periodic benefit within Disability function; what is reported as pension; how did countries managed to make a breakdown of pension schemes under special regulations; what is the reason of large differences between number of schemes between countries; why are there differences in level of detail of qualitative information between countries; when to use links to other sites; and alike).

It is noted that all medium and long-term recommendations will depend on the available resources through projects and expert help.

Long term (4 year from the end of the project and onwards)

1. National Accounts

From the beginning of this project, ESSPROS statistics in BiH has started developing independently from National Accounts.

However, in parallel with the development of National Accounts (e.g. types of contributions, imputed contributions, NUTS level accounts, data on social transfers, etc.), it would be desirable that BHAS, FIS and RSIS methodologists dealing with ESSPROS are informed of these developments, as they can be utilised in the future.

For example, since National Accounts are based on accrual accounting, the main ESSPROS aggregates can be compared with these of National Accounts to establish whether a) receipts are collected in accrual and b) to estimate what is the state of both ESSPROS and National Accounts coverage when it comes to social security (mostly represented in General Government sector). Likewise, in times of major accounting changes made by reporting units, National Accounts should be able to provide the information on influences of those changes in major aggregates (this can mainly be expected, although not necessarily, in the health sector).

Additional source of information, which could be utilised in the future, is certainly GNI Quality Report (which contains much data interesting for ESSPROS, which are presented in rather understandable manner).

2. Administrative registers and related databases

It can be presumed that following years will bring further development in the system of electronic databases of insured persons, social welfare recipients, pension beneficiaries, persons with disability, etc.

At the beginning, it needs to be emphasised that BHAS, FIS and RSIS methodologists dealing with ESSPROS have no control on the development of these data sources, so in this case this timeline is just orientation. At the same time, it is important that they are provided with information on such developments, in order for them to be able to express their statistical needs on time, i.e. in the phase of database development.

At the same time, it is also to be expected that national electronic infrastructure, which will connect large number of those databases, will start to be developed. Also, it is to be presumed that some sort of personal identification information will be used as a connection between databases.

With regard to ESSPROS, this can prove important for variety of reason.

On the one hand, it could perhaps provide data on a number of beneficiaries, which are generating more and more interest from the public. For example, in case a register of persons with disability is made, it could contain information on all persons with any kind of registered disability in the country. At the same time, it could have information on what kind of disability related benefits each person is receiving. This means that proper utilisation of such kind of register could result in number of beneficiaries of all disability benefits (with or without double counting). Consequently, this information could be used to a) compare financial data received by reporting units and b) to make breakdowns and analysis which were previously not possible.

Certainly, it is imperative that at all times, protection of data confidentiality is secured. This should not pose any major problems because those administrative databases will most likely be supplemented by data protection mechanisms, which can then be supplemented with statistical ones.

It is noted that all medium and long-term recommendations will depend on the available resources, through projects and expert help.

Identification of needs for additional support:

ESSPROS statistics demands a continuous and systematic effort, as described under “Sustainability of the achievements”.

In time of material and resource constraints, such effort should be backed up by financial support towards BC both in a manner of investing in personnel of BHAS, FIS and RSIS to upgrade their knowledge (dedicated workshops, seminars, study visits, traineeships, and alike) and in view of methodological expert assistance (in a form of financing inclusion of national or international expert assistance in the field of social protection).

In case of absence of proper financial support, it seems very unlikely to expect robust developments in years to come.

4. Conclusions and recommendations for the whole component

Actions needed for moving forward

Initial future activities should focus on adding to the current ESSPROS Core System coverage additional benefits which are now missing or which will emerge in the future.

One needs to stress that most of the coverage is already embedded by the survey, but occurrence of small scale, maybe even irregular, but legally regulated benefits, can emerge.

Also, there is a question of inserting new ESSPROS Core System schemes, once the conditions are satisfied from the data provider's side (e.g. employers paid sick leave, civil society organisations).

Good Core System data are prerequisite for any further improvements, and at the same time they serve to avoid data and metadata revisions. Therefore, and in view of an immense work done so far, BC is advised to continue its work in this field, and this should be of primary interest in future work.

Aforementioned activities can serve as a basis for eventual work on realisation of future medium and long term goals, as explained under "Recommendations for the future (short and long term)".

Annex 1. Terms of Reference

EU Twinning Project BA-12-IB-ST-01

Terms of Reference

Component 4: ESSPROS

7-11 November 2016

Institute for Statistics of Republica Srpska,

Banja Luka, Veljke Mladenovića br. 12 d – Conference room, I floor

Activity

4.7 Methodology and plan for regular production of ESSPROS.
Follow-up on achievements of the component and recommendations for the future

Benchmarks

- Analysis of local settings conducted and links with national accounts statistics defined by 2nd project quarter
- More data for developing ESSPROS available by 5th project quarter
- ESSPROS methodology available by 8th project quarter
- Results of pilot survey available by 8th project quarter

Purpose of activity

The expected activities are:

- Review of quality of the pilot survey results
- Data processing and analysis of the pilot survey results
- Discussion on how to improve the survey
- To discuss the status regarding the component at the beginning of the project
- To discuss the status of the project results
- To prepare recommendations regarding the sustainability of the achievements
- To prepare recommendations for future work of BHAS/FIS/RSIS after the project finishes
- To identify needs for further support, if any

Expected output

- Finalization of methodology
- Further work on developing ESSPROS
- Transmission of data to Eurostat
- Discussion on how to develop the required ESSPROS reports of Eurostat
- Plan for regular production
- Description of the status regarding the component at the beginning of the project
- Description of the project results
- Recommendations on the sustainability of the achievements
- Recommendations on the future work
- Description of needs for further support, if any
- Clarification of outstanding issues

Annex 2. Persons met

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